



## REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2001.

### *Principal activities*

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

### *Segmental information*

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and the Group's turnover by geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to loss from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Trading of tanned leather	12,009	12,117	(5,231)	91
Trading of fur pelts	38,031	37,045	5,838	6,485
Manufacture and sale of leather garments	34,393	42,578	(10,624)	(8,513)
Manufacture and sale of fur garments	19,987	6,610	2,692	(1,741)
Manufacture and sale of fabric garments	11,275	13,852	4,761	(2,003)
Others	571	891	203	4
	<b>116,266</b>	113,093	<b>(2,361)</b>	(5,677)
	<b>116,266</b>	113,093	<b>(2,361)</b>	(5,677)
			Turnover	
			2001	2000
			HK\$'000	HK\$'000
By geographical area:				
People's Republic of China				
Hong Kong			22,715	25,935
Elsewhere			41,426	32,866
United States of America			23,335	21,552
Germany			10,000	10,526
Spain			8,603	9,653
Argentina			1,501	4,433
Other countries			8,686	8,128
			<b>116,266</b>	113,093
			<b>116,266</b>	113,093



# REPORT OF THE DIRECTORS

## ***Segmental information (Continued)***

The contribution to trading results by geographical area is substantially in line with the overall rate of contribution to turnover and, accordingly, a geographical analysis of contribution is not presented.

## ***Results and dividends***

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 37.

The directors do not recommend the payment of any dividend in respect of the year.

## ***Summary financial information***

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 38. This summary is not part of the audited financial statements.

## ***Fixed assets***

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

## ***Subsidiaries***

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

## ***Borrowings***

Details of the Group's borrowings are set out in the financial statements on page 20.

## ***Pre-emptive rights***

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

## ***Purchase, redemption or sale of listed securities of the Company***

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## ***Reserves***

Details of movements in the reserves of the Company and the Group during the year are set out in note 19 to the financial statements.



## REPORT OF THE DIRECTORS

### ***Distributable reserves***

At 31 March 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$36,077,000. In addition, the Company's share premium account, in the amount of HK\$49,586,000, may be distributed in the form of fully paid bonus shares.

### ***Major customers and suppliers***

In the year under review, sales to the Group's five largest customers accounted for 35% of the total sales for the year and sales to the largest customer included therein amounted to 9%. Purchases from the Group's five largest suppliers accounted for 42% of the total purchases for the year and purchases from the largest supplier included therein amounted to 20%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

### ***Directors***

The directors of the Company during the year and up to the date of this report were:

#### **Executive directors:**

Char On Man  
So Choi Hing, Stella  
Li Wing Tak

#### **Independent non-executive directors:**

Woo, Michael  
Ho Wai Chi, Paul

In accordance with the Company's bye-laws, Ho Wai Chi, Paul will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

### ***Emoluments of the directors and the five highest paid employees***

Details of the emoluments of the directors of the Company and of the five highest paid employees of the Group are set out in notes 6 and 7 to the financial statements, respectively.

### ***Directors' service contracts***

Each of the executive directors of the Company entered into a service contract with the Company for a term of three years with effect from 1 March 1997, which has continued thereafter on an annual basis until terminated by either party giving to the other with not less than six months' notice.



# REPORT OF THE DIRECTORS

## *Directors' service contracts (Continued)*

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

## *Directors' rights to acquire shares*

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

At the balance sheet date, no options were granted pursuant to the share option scheme as described in note 18 to the financial statements.

## *Directors' interests in contracts*

No director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

## *Directors' interests in shares*

At 31 March 2001, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### (i) Company

Name of director	Number of ordinary shares held and nature of interests	
	Corporate	Personal
Char On Man	167,832,000*	22,711,000
So Choi Hing, Stella	—	3,885,000

\* These shares are held through Wellglow Investments Limited, a company in which Mr. Char On Man has total interests of 89.58%.

### (ii) Subsidiary – Peking Fur Factory (Hong Kong) Limited

Name of director	Nature of interest	Number of non-voting deferred shares held
Char On Man	Personal	11,444



## REPORT OF THE DIRECTORS

### *Directors' interests in shares (Continued)*

#### (iii) Associated corporation – Wellglow Investments Limited

Name of director	Number of ordinary shares held and nature of interests	
	Personal	Family
Char On Man	674	100
So Choi Hing, Stella	<u>60</u>	<u>–</u>

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### *Substantial shareholders*

At 31 March 2001, the following interest of 10% or more of the share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	%
Wellglow Investments Limited	<u>167,832,000</u>	<u>52.9</u>

This interest has also been disclosed as an interest of Mr. Char On Man under the section “Directors’ interests in shares” above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares” above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### *Biographical details of directors and senior management*

#### **Executive directors**

Mr. Char On Man, aged 48, is the Group founder and has been the chairman and managing director of the Group since August 1978. He is responsible for the overall management of the Group’s operations, in particular the procurement and trading of tanned leather and fur pelts, as well as overseeing the overall operations of the fur garment business. He is now a director of the Shenzhen Leather Trades Association. He has over 20 years’ experience in the leather and fur industries.

Ms. So Choi Hing, Stella, aged 47, is the director of sales of the Group. She is responsible for the sales and marketing of leather garments and for the Group’s overall administrative operations. She has been with the Group since September 1981.



# REPORT OF THE DIRECTORS

## *Biographical details of directors and senior management (Continued)*

### **Executive directors (Continued)**

Mr. Li Wing Tak, aged 43, is the director of finance of the Group. He has over 10 years' experience in finance and accounting. He holds a bachelor's degree in economics from Macquarie University in Australia and is a fellow member of the Hong Kong Society of Accountants and an associate member of the Australian Society of Certified Practising Accountants. He also served as the regional financial controller for two multinational trading and manufacturing companies for five years prior to joining the Group in March 1994.

### **Independent non-executive directors**

Mr. Woo, Michael, aged 56, is the managing director of Europe Fur Co., Ltd., Europe Fashions Ltd., Dongguan Mayfair Fashions Ltd. and Mayfur Canada Inc. He was the chairman of the Federation of Fur Manufacturers and Dealers (H.K.) Ltd. during the period from 1995 to 1996. He joined the Group as a director in August 1996.

Mr. Ho Wai Chi, Paul, aged 50, is currently a non-executive director of China Star Entertainment Limited. He is the sole proprietor of Paul W.C. Ho & Company, Certified Public Accountants, and is an associate member of the Institute of Chartered Accountants in England and Wales, the United Kingdom and the Hong Kong Society of Accountants. He joined the Group as a director in February 1997.

### **Senior management**

Mr. Au Hung, aged 46, is the general manager of the Group's factory in the People's Republic of China ("PRC"). He has more than 20 years' experience in the leather and fur industries and has in-depth knowledge of the manufacture, distribution and trading of leather and fur products in the PRC market. He joined the Group in October 1975.

Mr. Chan Ching Kwan, aged 49, is the manager of the Group's factory in the PRC. He joined the Group in March 1988 and has more than 20 years' experience in the production of leather garments. He is responsible for the Group's manufacturing operations of leather garments.

Mr. Choi Hing Yee, aged 43, is the sales manager of the Group in the PRC. He joined the Group in August 1991 as a supervisor for the manufacturing operations of fur garments and was promoted to his current position in July 1993. He has over 20 years' experience in the marketing of fur and leather products.

### ***Code of Best Practice***

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.



# REPORT OF THE DIRECTORS

## *Auditors*

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Char On Man**

*Chairman and Managing Director*

Hong Kong

24 July 2001